

October 2, 2001

MEMORANDUM

TO: Dalton B. Floyd, Jr., Chair, and Members, Commission on Higher Education

FROM: Rosemary Byerly, Chair, Committee on Finance and Facilities

SUBJECT: Exceptional Capital Project Requests

Attached are the agenda items to be considered at the Committee on Finance and Facilities meeting scheduled for 9:30 a.m. on Thursday, October 11. Please note that the Committee has not yet acted on these items. The Committee will present its recommendations to the Commission on October 11. Staff recommendations are included for your information.

Attachments (3)

Exceptional Capital Projects, 2002-2003

South Carolina has a limited amount of capital resources and a considerable amount of capital needs. The State is fast approaching its debt service limit. Once the debt service limit is reached, the state cannot issue any more debt unless revenues are increased. However, for the 2001-2002 fiscal year, the State is experiencing a severe decrease in revenues resulting in budget cuts for all agencies. A review of Exceptional Capital Project (ECP) requests and/or Overall Permanent Improvement Plan (OPIP) requests indicated that a number of approved projects have received only partial funding and , far more have received no funding since they were submitted to the Legislature.

On September 6, the Commission agreed to accept no additional ECP requests but agreed to resubmit the current list of outstanding projects that require funding. The Commission adopted the following recommendation for Exceptional Capital Project (ECP) Requests for 2002-2003:

In light of the significant amounts remaining to be funded on existing approved capital budgets, the Commission recommends that no new ECP projects be submitted or considered for 2002-2003. The Commission understands that existing projects have not been adjusted for inflationary increases that have occurred since initial approval. Therefore, the total amount of the request may be adjusted for inflationary and/or construction cost increases, provided the institution submits sufficient justification for the increase; and, provided the institution does not substantively alter the provisions of CHE's prior approval. If institutional priorities have changed, an institution may remove projects from the list, or substitute new projects in lieu of existing projects on the list. However, any new project added to the list in lieu of a new project will be subject to the same rating, scoring, and CHE approval process required of all new ECP requests.

Institutions were asked to submit a list of approved ECP requests in institutional priority order. Of the total number of projects received, 14 were replacement projects and two involved significant changes in scope. Originally, staff planned to score only the replacement projects since the approved projects had already been scored. However, in reviewing the approved requests received from 1999 through 2001, two issues arose that presented problems.

First, not all of the approved projects were scored, and earlier requests were scored using different criteria. In the ECP for 1999-2000, each institution's first priority was submitted to the Legislature in a ranked list, according to the 1996 criteria, with all other projects submitted unranked. In the 2000-2001 ECP, a set of criteria was developed and all submitted projects were reviewed and scored by these criteria. These same criteria were used to score project requests in the 20001-2002 ECP and the recent OPIP requests. In addition, some projects that were approved by the Legislature did not originally come through CHE. These projects were not scored.

Second, in the previously approved criteria there is no provision for new construction related to enrollment growth. With the implementation of the lottery scholarships, a criterion that addresses the need for additional space based on anticipated enrollment growth and utilization of existing space may be needed.

Staff, therefore, recommends that a criterion addressing mission-related enrollment growth and utilization of existing space be added to the approved criteria for evaluating and scoring capital project requests. Staff proposes the following criterion:

For new construction to accommodate mission-related enrollment growth an institution could receive up to 25 points. Points would be assigned by providing (1) documentation that the anticipated enrollment growth corresponds to the institution's mission (up to 10 points) and (2) justification of the need for additional square footage in relation to utilization of existing space (up to 15 points).

Staff also recommends that all projects included in the complete list of ECP requests be scored according to the new criteria. This will provide fairness and consistency in scoring for all projects, including those that were not scored previously.

Because the Governor's Office has requires that agencies submit their budget plans by October 10, 2001, staff further recommends the complete list of ECP requests, including replacement projects and changes in scope, be submitted to the Governor, pending CHE approval at its January Meeting. This will allow the institutions and the staff the time needed to properly evaluate and score each project.

Attached is a list of the approved criteria, as applied, including the new criterion shown in italics and bold type on the second page (criterion 5). Also attached is the list of ECP requests, in institutional priority order, with replacement projects and changes in scope shown in italics and bold type.